

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6432

BILL NUMBER: HB 1293

NOTE PREPARED: Dec 19, 2011

BILL AMENDED:

SUBJECT: Vigo County Innkeeper's Tax.

FIRST AUTHOR: Rep. Heaton

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: The bill increases the maximum Vigo County Innkeeper's Tax rate that may be imposed by the county council from 5% to 8%. The bill phases in the increase over six years.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: The bill would raise the maximum tax rate in Vigo County by a half-percent per year until reaching 8% in CY 2018. The tax rate is currently 5%. The following table illustrates the cumulative estimated revenue impact of the proposed rate increases over the current 5% rate. For example, the first-year estimate would include the 0.5% initial increase in rate. The second-year estimate would include the first-year increase of 0.5% plus the second-year increase of 0.5%, and so on through CY 2018. Estimates were generated from the implied CY 2013 tax base of \$1.28 M and the December 14, 2011, state revenue forecast percent growth in state Sales Tax over FY 2012 and FY 2013.

The effective date of the bill would allow the county at least six months to prepare for tax collections at the new rate beginning January 1, 2013.

| CY | Proposed Maximum Rate | Rate Increments | Cumulative Additional Revenue over 5% Allowed by Current Statute |
|---|--------------------------|--------------------|---|
| 2013 | 5.5% | 0.5% | \$116,734 |
| 2014 | 6.0% | 1.0% | \$242,107 |
| 2015 | 6.5% | 1.5% | \$376,598 |
| 2016 | 7.0% | 2.0% | \$520,709 |
| 2017 | 7.5% | 2.5% | \$674,969 |
| 2018 | 8.0% | 3.0% | \$839,932 |
| TOTAL (6 Years) | | | \$2,771,049 |
| *Note- Revenue estimates based on the estimated percent growth of state Sales Tax from the most recent State Revenue Forecast (3.7% per year from FY 2013 onward) | | | |

Background- Vigo County Innkeeper's tax rate has been at 5% since FY 2005. Vigo County collected \$1.09 M in Innkeeper's tax in FY 2011. The tax revenue is used to maintain a sports and recreation facility in the county.

State Agencies Affected:

Local Agencies Affected: Vigo County.

Information Sources: *Indiana Handbook of Taxes, Revenues, and Appropriations*; State Revenue Forecast, December 14, 2011.

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